

**REPORT OF THE AUDIT OF THE  
HARRISON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**



**ADAM H. EDELEN  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HARRISON COUNTY FISCAL COURT**

**June 30, 2014**

The Auditor of Public Accounts has completed the audit of the Harrison County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Harrison County, Kentucky.

**Financial Condition:**

The Harrison County Fiscal Court had total receipts of \$7,768,193 and disbursements of \$8,363,552 in fiscal year 2014. This resulted in a total ending fund balance of \$2,234,460, which is an increase of \$163,641 from the prior year.

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Harrison County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in more fully in Note 1, the financial statement is prepared by Harrison County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Harrison County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Harrison County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Harrison County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.



To the People of Kentucky  
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**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2015 on our consideration of Harrison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

May 29, 2015

HARRISON COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

Alexander Barnett	County Judge/Executive
Frank Henson	Magistrate
Paula Taylor	Magistrate
Brad Marshall	Magistrate
Missy Lutz	Magistrate
Jeff Brunker	Magistrate
William Fritz	Magistrate
Larry Wells	Magistrate
Bradly Copes	Magistrate

**Other Elected Officials:**

Bradly Vaughn	County Attorney
Willard L. Turner	Jailer
Linda Furnish	County Clerk
Kathy Kearns	Circuit Court Clerk
Bruce Hampton	Sheriff
Carla Harney	Property Valuation Administrator
Thomas Ware	Coroner

**Appointed Personnel:**

Melody McClure	County Treasurer
Judy Smith	Financial Officer
Jennifer Renaker	Tax Administrator

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,002,300	\$	\$
In Lieu Tax Payments	4,158		
Excess Fees	33,501		
Licenses and Permits	11,116		
Intergovernmental	254,194	1,668,433	107,589
Charges for Services			
Miscellaneous	212,707	338,937	3,475
Interest	4,844	526	
Total Receipts	<u>4,522,820</u>	<u>2,007,896</u>	<u>111,064</u>
<b>DISBURSEMENTS</b>			
General Government	1,948,548		
Protection to Persons and Property	306,048		581,935
General Health and Sanitation	331,898		
Social Services	102,688		
Recreation and Culture	50,605		
Roads		2,341,245	
Airports	10,000		
Bus Services	10,275		
Other Transportation Facilities and Services	3,000		
Debt Service			
Capital Projects	44,797	62,705	
Administration	870,127	314,363	46,843
Total Disbursements	<u>3,677,986</u>	<u>2,718,313</u>	<u>628,778</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>844,834</u>	<u>(710,417)</u>	<u>(517,714)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Lease Proceeds	759,000		
Transfers From Other Funds		495,000	515,000
Transfers To Other Funds	(1,194,663)		
Total Other Adjustments to Cash (Uses)	<u>(435,663)</u>	<u>495,000</u>	<u>515,000</u>
Net Change in Fund Balance	409,171	(215,417)	(2,714)
Fund Balance - Beginning	1,443,043	256,361	21,112
Fund Balance - Ending	<u>\$ 1,852,214</u>	<u>\$ 40,944</u>	<u>\$ 18,398</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,431,910	\$ 43,263	\$ 47,254
Plus: Deposits In Transit			
Less: Outstanding Checks	(79,696)	(2,319)	(28,856)
Certificate of Deposits	500,000		
Fund Balance - Ending	<u>\$ 1,852,214</u>	<u>\$ 40,944</u>	<u>\$ 18,398</u>

The accompanying notes are an integral part of the financial statement.

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>Budgeted Funds</b>			
<b>Federal Grants Fund</b>	<b>Parks and Recreation Fund</b>	<b>E-911 Fund</b>	<b>Shropshire Fund</b>
\$	\$	\$ 204,578	\$
			2,393
		136,231	1,650
	38,078		17,824
	162,375	80,278	5,139
	76	67	1,872
	200,529	421,154	28,878
	277,214	544,823	
			40,588
	277,214	544,823	40,588
	(76,685)	(123,669)	(11,710)
	91,884	80,279	12,500
	91,884	80,279	12,500
	15,199	(43,390)	790
22,193	24,444	61,773	230,999
\$ 22,193	\$ 39,643	\$ 18,383	\$ 231,789
\$ 22,193	\$ 47,744	\$ 20,435	\$ 22,207
	(8,101)	(2,052)	(418)
			210,000
\$ 22,193	\$ 39,643	\$ 18,383	\$ 231,789

The accompanying notes are an integral part of the financial statement.

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>Unbudgeted Funds</b>	
	<b>Public Properties Corporation Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>		
Taxes	\$	\$ 4,206,878
In Lieu Tax Payments		4,158
Excess Fees		33,501
Licenses and Permits		13,509
Intergovernmental	475,850	2,643,947
Charges for Services		55,902
Miscellaneous		802,911
Interest	2	7,387
Total Receipts	<u>475,852</u>	<u>7,768,193</u>
<b>DISBURSEMENTS</b>		
General Government		1,948,548
Protection to Persons and Property		1,710,020
General Health and Sanitation		372,486
Social Services		102,688
Recreation and Culture		50,605
Roads		2,341,245
Airports		10,000
Bus Services		10,275
Other Transportation Facilities and Services		3,000
Debt Service	474,350	474,350
Capital Projects		107,502
Administration	1,500	1,232,833
Total Disbursements	<u>475,850</u>	<u>8,363,552</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2</u>	<u>(595,359)</u>
<b>Other Adjustments to Cash (Uses)</b>		
Lease Proceeds		759,000
Transfers From Other Funds		1,194,663
Transfers To Other Funds		(1,194,663)
Total Other Adjustments to Cash (Uses)		<u>759,000</u>
Net Change in Fund Balance	2	163,641
Fund Balance - Beginning	10,894	2,070,819
Fund Balance - Ending	<u>\$ 10,896</u>	<u>\$ 2,234,460</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 10,896	\$ 1,645,902
Deposits In Transit		
Less Outstanding Checks		(121,442)
Certificate of Deposits		710,000
Ending Fund Balance	<u>\$ 10,896</u>	<u>\$ 2,234,460</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Harrison County includes all budgeted and unbudgeted funds under the control of the Harrison County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.



**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants funds received and expended.

Parks & Recreation Fund - The primary purpose of this fund is to account for receipts and disbursements of the Parks and Recreation Program operated by the County and the City of Cynthiana.

E-911 Fund - The purpose of this fund is to account for receipts and disbursements of E-911.

Shropshire Fund - The purpose of this fund is to account for the receipts and disbursements of the Shropshire Animal Shelter.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Facilities Construction Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Harrison County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Harrison County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Total Transfers In
Road Fund	\$ 495,000	\$ 495,000
Jail Fund	515,000	515,000
Parks & Recreation Fund	91,884	91,884
E-911 Fund	80,279	80,279
Shropshire Fund	12,500	12,500
Total Transfers Out	<u>\$ 1,194,663</u>	<u>\$ 1,194,663</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 4. Long-term Debt**

**A. First Mortgage Revenue Refunding Bonds, Series 2010**

On July 1, 2010, Harrison County Public Properties Corporation issued \$4,520,000 in First Mortgage Revenue Refunding Bonds, Series 2010, for the purpose of retiring the debt incurred for the construction of a justice center. The refunding bond issue covers a twelve-year period with an annual principal payment due each March 1, beginning March 1, 2011. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2010. The county subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$3,235,000 as of June 30, 2014.

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 370,000	\$ 107,150
2016	380,000	97,900
2017	395,000	86,500
2018	400,000	74,650
2019	370,000	62,650
2020-2023	1,320,000	104,026
Totals	<u>\$ 3,235,000</u>	<u>\$ 532,876</u>

**B. Financing Obligations, General Obligation Lease 2013, (Courthouse Renovation)**

On May 1, 2014, Harrison County incurred loan for \$769,000 for Courthouse Renovation. The debt issue covers a nine and a half year period with yearly principal payment due each December 1, beginning December 1, 2014. Interest is payable semi-annually each December 1 and June 1, beginning December 1, 2014. The total principal balance outstanding was \$769,000 as of June 30, 2014.

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 68,000	\$ 20,207
2016	70,000	16,860
2017	72,000	15,024
2018	74,000	13,181
2019	76,000	11,288
2020-2024	409,000	26,381
Totals	<u>\$ 769,000</u>	<u>\$ 102,940</u>

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**C. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds	\$ 3,595,000	\$	\$ 360,000	\$ 3,235,000	\$ 370,000
Financing Obligations		769,000		769,000	68,000
Long-term Liabilities	<u>\$ 3,595,000</u>	<u>\$ 769,000</u>	<u>\$ 360,000</u>	<u>\$ 4,004,000</u>	<u>\$ 438,000</u>

**Note 5. Commitments and Contingencies**

**A. Cynthiana/Harrison County Public Properties Corporation**

In June 1995, the Harrison County Fiscal Court (County) and the City of Cynthiana (City) formed the Cynthiana/Harrison County Public Properties Corporation (Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. In March of 2013, the Corporation refinanced the project with Bank Trust Financial Corp in the amount of \$350,000. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in numerous years. Should the Corporation default on the loan at Farmers National Bank, the County could be responsible for one-half of the outstanding liabilities. As of June 30, 2013, the outstanding principal balance was \$327,763.

**B. Cynthiana/Harrison County Industrial Authority**

In January 1999, Harrison County Fiscal Court (the County) adopted a resolution, which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover fifty percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (the Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. The Authority obtained an \$800,000 loan for the purchase of the land for the project. As of June 30, 2014, the outstanding principal balance on the loan was \$192,032. During the fiscal year ended June 30, 2014, the county paid the Authority \$51,250 for their share of the operating expenses of the Authority.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Commitments and Contingencies (Continued)**

**C. Cynthiana/Berry/Harrison County E-911**

In April 1999, Harrison County Fiscal Court (the County) passed an ordinance for “the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky.” An E-911 Advisory Board (the Board) was created with the City of Cynthiana (the City) and the County equally represented on the Board. The City and County subsequently entered into an interlocal agreement which states, in part, “The cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County.

The County may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center.” The assessment fee during the year of audit was \$4 (four dollars) per month for each telephone line within the City and County, and during the fiscal year ended June 30, 2014; the County contributed \$80,278 toward the operating expenses of the E-911 program and the City contributed \$80,278.

**D. Cynthiana/Harrison County Department of Parks and Recreation**

In November 2012, Harrison County Fiscal Court (the County) passed an ordinance “relating to the adoption of an inter-local agreement between the city of Cynthiana and Harrison County, Kentucky for the operation of a recreation program in Harrison County, Kentucky.” A Board of the Cynthiana-Harrison County Department of Parks and Recreation (the “Board”) was established with the City of Cynthiana (the City) and the County equally represented on the Board. The City and the County shall share equally in the funding of operational costs of the program unless otherwise agreed by the parties. Each quarter the City and County shall pay into the Program an amount equal to one-fourth of their annual budget allotment for parks and recreation. The parties to this agreement shall not be required to make additional contributions other than those set out in each Party’s annual budget. During the fiscal year ended June 30, 2014, the County contributed \$91,884 toward the operation of the Parks and Recreation Program and the City contributed \$91,884.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county’s contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member’s account and 1% will go to the KRS insurance fund. The county’s contribution rate for hazardous employees was 35.70 percent.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

The county's contribution for FY 2012 was \$394,733, FY 2013 was \$426,992, and FY 2014 was \$426,086.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 7. Deferred Compensation**

Harrison County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2014, Harrison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Change in Basis of Accounting and Prior Period Adjustments**

The ending balance for prior surplus in the General Fund was increased by \$376 in order to correct a prior year omission.



**HARRISON COUNTY**  
**BUDGRTARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**



**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,949,000	\$ 3,949,000	\$ 4,002,300	\$ 53,300
In Lieu Tax Payments	4,100	4,100	4,158	58
Excess Fees	54,413	54,413	33,501	(20,912)
Licenses and Permits	11,000	11,000	11,116	116
Intergovernmental	676,100	676,100	254,194	(421,906)
Miscellaneous	193,500	193,500	212,707	19,207
Interest	11,500	11,500	4,844	(6,656)
Total Receipts	4,899,613	4,899,613	4,522,820	(376,793)
<b>DISBURSEMENTS</b>				
General Government	1,666,420	2,145,131	1,948,548	196,583
Protection to Persons and Property	311,368	337,252	306,048	31,204
General Health and Sanitation	519,630	410,674	331,898	78,776
Social Services	145,800	149,565	102,688	46,877
Recreation and Culture	332,730	61,105	50,605	10,500
Airports	10,000	10,000	10,000	
Bus Services	12,000	12,000	10,275	1,725
Other Transportation Facilities and Services	3,000	3,000	3,000	
Capital Projects	265,000	265,000	44,797	220,203
Administration	1,168,700	1,027,855	870,127	157,728
Total Disbursements	4,434,648	4,421,582	3,677,986	743,596
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	464,965	478,031	844,834	366,803
<b>Other Adjustments to Cash (Uses)</b>				
Prior Year Surplus- Rec. Park Donations	900	900		(900)
General - Lease Proceeds			759,000	759,000
Transfers To Other Funds	(1,954,846)	(1,954,846)	(1,194,663)	760,183
Total Other Adjustments to Cash (Uses)	(1,953,946)	(1,953,946)	(435,663)	1,519,183
Net Change in Fund Balance	(1,488,981)	(1,475,915)	409,171	1,885,085
Fund Balance Beginning	1,488,981	1,488,981	1,443,043	(45,938)
Fund Balance - Ending	\$ 0	\$ 13,066	\$ 1,852,214	\$ 1,839,148

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>ROAD FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,647,242	\$ 1,657,194	\$ 1,668,433	\$ 11,239
Miscellaneous	58,000	58,000	338,937	280,937
Interest	500	500	526	26
Total Receipts	1,705,742	1,715,694	2,007,896	292,202
<b>DISBURSEMENTS</b>				
Roads	2,605,175	2,685,469	2,341,245	344,224
Debt	50,000	25,000		25,000
Capital Projects	160,000	160,000	62,705	97,295
Administration	409,200	363,858	314,363	49,495
Total Disbursements	3,224,375	3,234,327	2,718,313	516,014
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,518,633)	(1,518,633)	(710,417)	808,216
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,218,633	1,218,633	495,000	(723,633)
Lease Proceeds	50,000	50,000		(50,000)
Total Other Adjustments to Cash (Uses)	1,268,633	1,268,633	495,000	(773,633)
Net Change in Fund Balance	(250,000)	(250,000)	(215,417)	34,583
Fund Balance Beginning	250,000	250,000	256,361	6,361
Fund Balance - Ending	\$ 0	\$ 0	\$ 40,944	\$ 40,944

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 121,700	\$ 121,700	\$ 107,589	\$ (14,111)
Charges for Services	4,000	4,000		(4,000)
Miscellaneous	1,000	1,000	3,475	2,475
Total Receipts	126,700	126,700	111,064	(15,636)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	649,900	647,100	581,935	65,165
Administration	50,000	52,800	46,843	5,957
Total Disbursements	699,900	699,900	628,778	71,122
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(573,200)	(573,200)	(517,714)	55,486
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	543,200	543,200	515,000	(28,200)
Total Other Adjustments to Cash (Uses)	543,200	543,200	515,000	(28,200)
Net Change in Fund Balance	(30,000)	(30,000)	(2,714)	27,286
Fund Balance Beginning	30,000	30,000	21,112	(8,888)
Fund Balance - Ending	\$ 0	\$ 0	\$ 18,398	\$ 18,398

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 139,410	\$ 139,410	\$	\$ (139,410)
Total Receipts	139,410	139,410		(139,410)
DISBURSEMENTS				
General Government	99,410	99,410		99,410
Protection to Persons and Property	30,000	30,000		30,000
Administration	15,000	15,000		15,000
Total Disbursements	144,410	144,410		144,410
Net Change in Fund Balance	(5,000)	(5,000)		5,000
Fund Balance Beginning	5,000	5,000	22,193	17,193
Fund Balance - Ending	\$ 0	\$ 0	\$ 22,193	\$ 22,193

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**PARKS & RECREATION FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 80,000	\$ 80,000		\$ (80,000)
Charges for Services	44,000	44,000	38,078	(5,922)
Miscellaneous	139,884	139,884	\$ 162,375	22,491
Interest	100	100	76	(24)
Total Receipts	263,984	263,984	200,529	(63,455)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	395,868	395,868	277,214	118,654
Total Disbursements	395,868	395,868	277,214	118,654
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(131,884)	(131,884)	(76,685)	55,199
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	91,884	91,884	91,884	
Prior Year Surplus - Red Cross Swim Funds	4,750	4,750		(4,750)
Total Other Adjustments to Cash (Uses)	96,634	96,634	91,884	(4,750)
Net Change in Fund Balance	(35,250)	(35,250)	15,199	50,449
Fund Balance Beginning	35,250	35,250	24,444	(10,806)
Fund Balance - Ending	\$ 0	\$ 0	\$ 39,643	\$ 39,643

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>E-911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 204,578	\$ 4,578
Intergovernmental	125,000	125,000	136,231	11,231
Miscellaneous	81,279	81,279	80,278	(1,001)
Interest	200	200	67	(133)
Total Receipts	406,479	406,479	421,154	14,676
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	526,757	544,823	544,823	
Administration	5,000			
Total Disbursements	531,757	544,823	544,823	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(125,279)	(138,345)	(123,669)	14,676
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	80,279	80,279	80,279	1
Total Other Adjustments to Cash (Uses)	80,279	80,279	80,279	1
Net Change in Fund Balance	(45,000)	(58,066)	(43,390)	14,676
Fund Balance Beginning	45,000	45,000	61,773	16,773
Fund Balance - Ending	\$ 0	\$ (13,066)	\$ 18,383	\$ 31,449



**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>SHROPSHIRE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 3,500	\$ 3,500	\$ 2,393	\$ (1,107)
Intergovernmental	2,000	2,000	1,650	(350)
Charges for Services	17,000	17,000	17,824	824
Miscellaneous	1,000	1,000	5,139	4,139
Interest	6,350	6,350	1,872	(4,478)
Total Receipts	29,850	29,850	28,878	(972)
<b>DISBURSEMENTS</b>				
General Health and Sanitation	51,700	51,700	40,588	11,112
Total Disbursements	51,700	51,700	40,588	11,112
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(21,850)	(21,850)	(11,710)	10,140
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	20,850	20,850	12,500	(8,350)
Total Other Adjustments to Cash (Uses)	20,850	20,850	12,500	(8,350)
Net Change in Fund Balance	(1,000)	(1,000)	790	1,790
Fund Balance Beginning	1,000	1,000	230,999	229,999
Fund Balance - Ending	\$ 0	\$ 0	\$ 231,789	\$ 231,789

**HARRISON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2014**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**HARRISON COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**



**HARRISON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 488,500	\$	\$	\$ 488,500
Land Improvements	175,109			175,109
Buildings	6,785,695			6,785,695
Vehicles	2,134,773	319,405		2,454,178
Equipment	1,034,093	5,844		1,039,937
Infrastructure	23,473,390	989,187		24,462,577
 Total Capital Assets	 <u>\$ 34,091,560</u>	 <u>\$ 1,314,436</u>	 <u>\$ 0</u>	 <u>\$35,405,996</u>

**HARRISON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2014**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Harrison County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated May 29, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Harrison County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Harrison County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harrison County Fiscal Court's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Harrison County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

May 29, 2015

